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# REPORT

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Service

Washington, D.C. 20250

WEEKLY ROUNDUP OF WORLD PRODUCTION AND TRADE

WR 29-81

WASHINGTON, July 22--The Foreign Agricultural Service of the U.S. Department of Agriculture today reported the following recent developments in world agriculture and trade:

## GRAIN AND FEED

In CANADA, AUSTRALIA, and ARGENTINA, expanded wheat plantings and favorable weather conditions to date could mean excellent wheat harvests this year and increased export availabilities.

Canada's 1981 wheat seeded area is the highest since the record of 1967, according to the Statistics Canada June 1 Survey Report of Producers. In Australia, where over three-fourths of the wheat area has already been sown, current indications point to a record 12 million hectares planted to wheat. Rainfall during the past three weeks replenished subsoil moisture in many growing areas, but continued wet conditions during June have delayed sowing operations in portions of the northern region of New South Wales and in the Wimmera district of Victoria. Should wet weather further delay wheat plantings in these areas, yields could be adversely affected and farmers may switch to barley.

In Argentina, 1981 wheat sowings may be increased up to 10 percent above last year's level. Increased agricultural credit has encouraged farmers, who are heavily in debt, to expand wheat plantings since they will receive payment for wheat earlier than for summer corn or sorghum. Additionally, since wheat is more favorably priced, some replanting of wheat area lost to sorghum last year is likely, as well as expanded double cropping with soybeans.

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In FRANCE, abnormal temperature fluctuations and excessive moisture have combined to lower soft wheat and barley crop prospects, which could result in reduced export pressures. Both the soft wheat and barley crops, estimated at 23 million tons and 11.1 million tons, respectively, are down about 3.5 percent from previous estimates, and just below last year's record harvests. The reduced crop prospects should help alleviate some of the European Community's (EC) anticipated surplus grain disposal problems.

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## COTTON

AUSTRALIA'S cotton production has made tremendous strides over the last three years, increasing output over 80 percent to approximateley 445,000 bales in 1980/81. Prospects for additional increases in 1981/82 are likely to result in a doubling of production in four years. This expansion is primarily the result of acreage increases in the New South Wales District. According to the U.S. agricultural counselor in Canberra, overall cotton area is likely to increase to 160,000 hectares by 1985 from the current level of 84,000 hectares, which indicates that production is likely to increase another 75 to 80 percent in the next five years. Australia already boasts one of the world's highest cotton yields and has maintained quality as area increases.

Because of Australia's stable domestic requirements, larger quantities of its cotton production have become available for export over the last several years. In the 1980/81 season, Australia will export approximaely 75 percent of its production. Moreover, about 80 percent of its exports will be shipped to Japan and China--currently the two largest U.S. export markets. In the future, Australia could become an increasingly more important competitor of U.S. cotton in these markets because of its increasing domestic production and freight advantage in the Asian market.

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In central CHINA, cotton areas have received very high amounts of rainfall since early July. Sichuan province, in particular, experienced torrential rains between July 9-13 and cumulative rainfall since July 1 is over 300 mm. Rainfall in this province is expected to affect Hubei, Anhui and Jiangsu provinces as the water moves down the Yangtze River. Flooding in these important cotton areas is a possibility, since in addition to the water moving down river, these areas also have received higher-than-normal rainfall this month.

Conversely, north China experienced severe drought during May. As a result, China's cotton production in 1981/82 may not be any higher than the 12.4 million bales produced in 1980/81, according to a July 8 report from the U.S. agricultural counselor in Beijing.

## TOBACCO

The EUROPEAN COMMUNITY (EC) Council decided on July 7 to extend the second stage directive on harmonizatin of cigarette taxes for another six months. The decision followed rejection by the Economic and Social Committee and the European Parliament of the Commission's proposals for a third stage directive. The second stage requires members to structure their cigarette taxes so that the specific component of the tax represents not less than 5

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percent, nor more than 55 percent of the total tax (excise plus valued added tax). The Commission's third-stage proposal called for narrowing the range in steps to a minimum of 10 percent and a maximum of 35 percent by Dec. 31, 1986. EC member countries opposed this range on grounds that it would compress prices, destabilize the market and reduce tax revenues.

#### DAIRY, LIVESTOCK AND POULTRY

EGYPT continues to be one of the leading markets for U.S. poultry exports. Bids were requested recently for a tender to supply 5,000 tons of frozen chickens for delivery in one consignment in October. The deadline for offers is noon, Aug. 10. In addition, bids were asked for a tender to supply 30 million fresh chicken eggs, each weighing 40 to 45 grams (1.06 to 1.19 pounds per dozen). The eggs are to be delivered in two to three consignments during September-November. The deadline for offers is noon Aug. 8.

In the first five months of this year, Egypt imported 14,377 tons of whole broilers, 2,860 tons of chicken parts, and 2,457 tons of turkey parts from the United States. Also, U.S. exporters shipped 11.3 million table eggs to Egypt during this period. The total value of U.S. poultry and egg exports to Egypt during January-May was \$25.6 million, about 74 percent above the value for the same period of 1980.

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The EUROPEAN COMMUNITY (EC) Commission altered supplementary levies on July 10 for live and slaughtered poultry, egg products and poultry meat products. The only changes affecting U.S. products were the application of a supplementary levy of 15 European Currency Units (ECU) per 100 kilograms (7 U.S. cents per lb.) on dried egg yolks and the removal of the same amount on legs and cuts of chicken legs.

Also, the Commission has fixed export subsidies for chilled or frozen boned or boneless beef to be effective in July. On shipments to the United States, the subsidy is unchanged at 107 ECU per 100 kilograms, (51 U.S. cents per lb.). The same subsidy has been introduced on shipments of the same category of frozen beef to Canada, while the subsidy on the same category of chilled beef to Canada was reduced from 67 to 51 cents.

In addition, export subsidies on dairy products were fixed by the EC Commission on July 10. The subsidies for export of cheeses to the United States are unchanged. Subsidies on other dairy products to other destinations also remain unchanged except for the subsidies on exports of butter to Poland. These were increased from 102.44 to 133.90 ECU per 100 kilogram (49 to 64 U.S. cents per lb.) for butter with a fat content of 80 to 82 percent, and to 137.25 ECU per 100 kilogram (66 U.S. cents per lb.) for butter with a fat content of 82 percent or more.

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## HORTICULTURAL AND TROPICAL PRODUCTS

BRAZIL announced its coffee policy for 1981/82 (July/June) after a five week delay. Before the announcement, a careful analysis was made of the effects the huge 32-million-bag coffee harvest will have on the country's economy, which is suffering from a three digit annual rate of inflation. The main points of the new policy are as follows.

Grower support price for the 1981/82 coffee crop will be raised to 9,550 cruzieros, effective Oct. 1, with an additional increase scheduled for Jan. 1, 1982. The new price is 31 percent higher than the 7,300 cruzeiro per 60-kilogram bag price currently in force, but far short of the 13,000 cruziero price sought by growers.

Grower credit will be increased immediately from 4,745 to 6,200 cruzieros per bag. The government hopes to induce farm storage, and thus, avoid the inflationary effect of a large disbursement needed to purchase surplus coffee.

The minimum export registration price for green coffee will be reduced from US\$2 to \$1.07 per pound effective July 13.

The value of the Contribution Quota or export tax was reduced from US\$177 to \$50 per 60-kilogram bag, effective July 13. The government's objective is to gradually reduce the real value of the Contribution Quota in relation to export prices.

Price subsidies on government coffee stocks sold to domestic roasters were eliminated on July 15, and consumer coffee prices were freed from government controls.

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ARGENTINA raised its export rebate subsidy on June 15 for grapes and raisins from 7 to 20 percent of the f.o.b. value of exports. The rebate for grape wine and must was increased from 10 to 20 percent. A series of devaluations of the Argentine peso during the first half of 1981 has again made Argentina's exports competitive in world markets.

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CHINA'S output of mint oil is expanding fairly rapidly, reaching an estimated 1,685 tons in 1980. This quantity makes China the second largest producer of mint oil with 22 percent of the world's output, exceeded only by the United States with 40 percent.

China produces all types of mint oil. However, cornmint oil (a by-product of the *Mentha arvensis* plant with menthol the primary product) is

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the most important type produced. China's exports of cornmint oil totaled 1,274 tons in 1979. The major markets in order of importance, were France, Hong Kong, Japan, the United States, West Germany and the United Kingdom.

Other than the United States, China is the only significant producer of spearmint oil. However, a relatively small quantity of peppermint oil is grown.

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In AUSTRALIA, a strike of sugar mill workers threatens to reduce sugar output previously forecast at a record 3.6 million tons for 1981/82. As of the second week in July, mills were crushing at an effective rate of only four days a week, rather than the usual five and a half days. Should the strike not be settled quickly, the crushing season could stretch beyond the normal closing date of about Dec. 1. This could cause possible loss in cane quality and sugar recovery because weather conditions become more questionable after that date.

NEW RELEASES OF FOREIGN AGRICULTURE CIRCULARS

Processing Tomato Production May Increase in 1981, FVEG 5-81

May Cotton Exports Sluggish, FC 15-81

The Value of U.S. Exports of Livestock and Livestock Products Rose 1 Percent During April, FLM MT 13-81

World Citrus Production Down; Little Change in Southern Hemisphere Output, FCF 4-81

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Rotterdam Prices and E.C. Import Levies:

Asking prices in U.S. dollars for imported grain and soybeans, c.i.f., Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	July 21, 1981	Change from previous week	A year ago
	\$ per m. ton	\$ per bu.	¢ per bu.
<b>Wheat</b>			
Canadian No. 1 CWRS-13.5%.....	236.50	6.44	-09
U.S. No. 2 DNS/NS: 14%.....	190.50	5.18	-10
U.S. No. 2 DHW/HW: 13.5%.....	200.00	5.44	-06
U.S. No. 2 S.R.W.....	157.00	4.27	-03
U.S. No. 3 H.A.D.....	189.00	5.14	-28
Canadian No. 1 A: Durum.....	<u>1/</u>	<u>1/</u>	<u>1/</u>
<b>Feed grains:</b>			
U.S. No. 3 Yellow Corn.....	152.00	3.86	-24
U.S. No. 2 Sorghum <u>2/</u> .....	158.00	4.01	-16
Feed Barley <u>3/</u> .....	127.00	2.77	-43
<b>Soybeans:</b>			
U.S. No. 2 Yellow.....	290.50	7.91	-42
Argentine <u>4/</u> .....	285.00	7.76	-46
U.S. 44% Soybean Meal (M.T.)..	237.00	--	-20.00
			<u>5/</u>
<b>EC Import Levies</b>			
Wheat <u>6/</u> .....	91.35	2.49	+19
Barley.....	73.70	1.60	-08
Corn.....	59.80	1.52	+08
Sorghum.....	56.65	1.44	+11

1/ Not available.

2/ Optional delivery: U.S. or Argentine Granifero Sorghum.

3/ Optional delivery: U.S. or Canadian Feed Barley

4/ Optional delivery: Brazil yellow.

5/ Dollars per metric ton.

6/ Durum has a special levy.

Note: Basis August delivery.



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